

AFTER THE NPC: WHERE DOES CHINA GO FROM HERE?

by
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China's National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC) met for the respective annual sessions during March 5-10. While much of the work done was routine and without any surprise, there was a lot to read between the lines, particularly at the NPC. Some of these issues and priority areas for 2024 are discussed below.

Xi Prevails

When Li Qiang presented the [Government Work Report](#) for 2023, he mentioned Xi Jinping on 18 occasions, which is consistent with recent work reports. Li's speech lasted only 50 minutes which was the shortest in the last 23 years and he also [skipped the customary press conference](#) at the end of the NPC session. Not only that, but it was also announced that the press conferences would not resume next year onwards and that has come as a bigger surprise. The tradition of post NPC media interaction has been in place since 1988.

In the past, premiers have used these press conferences to highlight their policy priorities; at times reflecting serious differences between the general secretary and the premier. For example, [in 2020, Li Keqiang](#) had presented the economic data that broke the myth that China was on target to eliminate poverty, which was Xi Jinping's aim. Given this background, the current developments indicate that Xi Jinping has established his absolute authority over the new premier. It was also visible in the [reports](#) that continued to highlight Xi Jinping as the principal reformer.

Dealing with Economic Decline

In 2024, China expects the economy to grow at about 5 percent. This is also the lowest expected growth in several years and Li Qiang's tone while announcing this was noted as one of uncertainty. In a way it is understandable since foreign direct investment

in China has fallen to a [30-year low](#) amidst the ongoing tensions with the U.S. It has also to do with China's securitization of all economic activities and the mandatory spread of party units across business enterprises operating in China. Owing to this, several foreign companies have scaled down their operations while some have even completely shut down their operations. The [new anti-espionage law](#) has further vitiated investor confidence.

According to the work report, on the economic front, in 2023 China's principal risks came from the risks and potential dangers in real estate, local government debt, and small and medium financial institutions. To counter these challenges, the government's [focused priorities included](#) "to expand domestic demand, improve the economic structure, bolster confidence, and prevent and defuse risks". The work report also mentions China's work towards establishing a "unified national market", which is part of China's efforts to increase efficiency and falls under the strategy of dual circulation. [Domestic protectionism](#) and red-tapism have been significant challenges for China and it has also hampered its post-COVID recovery. Also, different provinces have different rulebooks on how businesses are to be opened and run and again that makes it highly difficult for scaling up of businesses across provinces. Correcting this has been on the government's agenda and it featured in four of the major national meetings in 2023.

China's economic challenges are multifold; it needs to promote economic growth but also to control inflation while ensuring that wasteful investments are avoided. China's response to the 2008 global economic crisis was fiscal stimulus and government-led infrastructure spending. While it led to growth, it caused other problems including sectoral and regional inequality and it masked slow consumption growth. As China faces the problems of overcapacity and under-consumption, it has avoided repeating the old mistakes. As the work report showed, in 2023 China "...refrained from resorting to a deluge of stimulus policies or strong short-term stimulus measures and made greater efforts to promote high-quality development". This was due to the fact that in 2023, fiscal deficit had reached [nearly a record high](#).

Reforming State Enterprises

Reforms of the State-owned Enterprises (SoEs) is another area of political debate in China. The present round of SoE reforms have been pushed by Xi Jinping [since 2017](#) but success has been limited. It was also one of the major disagreements between Xi Jinping and Li Keqiang, the former premier of the state council; while Xi had pushed for SoEs to become stronger, Li wanted them to become leaner. In 2020, a three-year SoE action plan was initiated to increase efficiency, avoid duplication and to establish corporate governance boards. The second phase involves turning each SoE into a Limited Liability Company (LLC), which may be far more difficult given it involves salary reforms, incentive-based payments, and dealing with trade unions for social security reforms.

In the work report, the word ‘technology’ and ‘technological’ appeared a total of 65 times. And this was due to the ambitious but also necessary transition to high-tech innovation and manufacturing. One of the targets for 2024 is in fact to “achieve greater self-reliance and strength in science and technology”. While this is not new and has been a part of the Made in China 2025 plan unveiled in 2015, there has been a significant push in this sector since the unveiling of the 14th five-year plan. The focus area includes the “new-three”, or the new productive forces, including [electric vehicles \(EVs\), lithium-ion batteries, and renewable energy products](#). Artificial intelligence and quantum technology are the other focus areas for qualitative growth. It is argued that the investments in these sectors accounted for nearly 2 percent of economic growth in 2023.

Redline on Taiwan?

The NPC also announced that China’s military spending will [grow by 7.2 percent](#). The work report also mentions the permanent goal to “resolutely oppose separatist activities aimed at “Taiwan independence” and external interference. Most notably, this year there was [no reference](#) to the term peaceful reunification which has been China’s stated goal for a long time. This shows that China has

drawn its redline in no uncertain terms when it comes to Taiwan.

It was expected that the NPC would nominate a replacement for Wang Yi as China’s Foreign Minister. However, this did not happen. Similarly, there were no replacements for Qin Gang and Li Shangfu who were removed in 2023.

Overall, the NPC process showed worrying signs. Xi Jinping has only become more powerful after Li Qiang took over as premier; the economy has lost its growth momentum and the government is in no mood to push in excessive stimulus in old sectors. The year 2024 may be another difficult one for China. However, given the new security focus, one cannot expect the growth challenges to soften Beijing’s assertive and demanding foreign and security policy postures.

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